



Department of Justice

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TUESDAY, NOVEMBER 17, 1998
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JUSTICE DEPARTMENT FILES SUIT TO BLOCK WASTE MANAGEMENT'S ACQUISITION OF EASTERN ENVIRONMENTAL SERVICES

WASHINGTON D.C. -- The Department of Justice filed a lawsuit today to block the nation's largest waste collection and disposal firm, Waste Management Inc., from acquiring its large regional rival, Eastern Environmental Services Inc. The States of New York and Florida and the Commonwealth of Pennsylvania joined the Department in bringing the lawsuit.

The Department's Antitrust Division said the merger, worth about \$1.2 billion, would reduce competition on a multi-billion dollar contract to dispose of New York City's residential solid waste. It would also reduce competition for other solid waste collection and disposal services in New York, Pennsylvania, and Florida.

"Losing a significant competitor would substantially undermine New York City's ability to obtain a competitive price and favorable terms," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "Given the size of the contract and its long-term effect, the taxpayers of New York City would suffer a serious loss with this merger."

Because of health and environmental concerns, the City of New York is mandated by state law to close the City's only landfill, Fresh Kills Landfill in Staten Island, by December 31, 2001. In anticipation of the closure of Fresh Kills, the City's Department of Sanitation issued a Request for Proposals (RFP) on June 16, 1997, soliciting from qualified vendors proposals to deliver the City's residential solid waste to marine transfer stations for processing, after which the vendors would deliver the waste to out-of-city disposal facilities. Under the RFP, the winning vendors would dispose up to 12,000 tons of solid waste each day. The contract to be

awarded has an estimated value of over \$6 billion dollars covering a period of 20 to 30 years, making the procurement the largest in New York City's history. In the coming months, the New York City Department of Sanitation is expected to begin final negotiations for the award of the waste disposal business.

The complaint, filed in U.S. District Court in Brooklyn, alleges that the proposed merger would cause competitive harm to the City of New York in its final contract negotiations for its residential waste services. After an extensive review process, the City's sanitation department concluded that only a few companies, including Waste Management and Eastern, demonstrated the qualifications for final considerations. If the merger were permitted to go through, the City would lose an important competitor as it begins negotiations with the selected companies to reach final concessions on issues of price and services. Thus, in addition to the complaint, the Department filed a motion for a preliminary injunction asking the Court to prohibit the parties from consummating the merger in order to prevent irreparable harm to New York City during its upcoming negotiations.

In addition to residential solid waste disposal in New York City, the complaint alleges that the proposed merger would substantially reduce competition for commercial solid waste disposal services in New York City; solid waste disposal services in Allegheny, Adams, Franklin, Cumberland, Lehigh, and Northampton Counties, Pennsylvania; and commercial solid waste collection services in Adams, Franklin, Cumberland, Luzerne, and Lackawanna Counties, Pennsylvania and in Hillsborough, Dade, and Broward Counties, Florida.

After the merger, Waste Management would control almost 50 percent of commercial solid waste disposal services for New York City; more than 58 percent of solid waste disposal services for Allegheny County, Pennsylvania; almost 64 percent of solid waste disposal services

for Adams, Franklin, and Cumberland Counties, Pennsylvania; and almost 70 percent of solid waste disposal services for Lehigh and Northampton Counties, Pennsylvania. Waste Management would also control more than 80 percent of commercial solid waste collection services for Hillsborough County, Florida; almost 55 percent of commercial solid waste collection services for Dade and Broward Counties, Florida; and more than 50 percent of commercial solid waste collection services for Adams, Franklin, Cumberland, Luzerne, and Lackawanna Counties, Pennsylvania.

Waste Management is a Delaware corporation with its principal office in Houston. In 1997, Waste Management reported revenues of \$9.2 billion. Eastern Environmental is a Delaware corporation with its principal office in Mt. Laurel, NJ. In 1997, Eastern Environmental reported total revenues of \$96 million.

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